

INTERSTATE COMPACEDOS ON TRANSPORT

## LEASE OF RAILROAD EQUIPMENT

by and between

## VINEYARD CAR CORPORATION

and

## THE KANSAS CITY SOUTHERN RAILWAY COMPANY

Dated as of May 1, 1970

LEASE OF RAILROAD EQUIPMENT, dated as of May 1, 1970, between Vineyard Car Corporation, a New York corporation (hereinafter called the Lessor), and The Kansas City Southern Railway Company, a Missouri corporation (hereinafter called the Lessee).

Whereas, the Lessor and the Lessee are entering into three Conditional Sale Agreements each dated as of May 1, 1970 (hereinafter individually called a Conditional Sale Agreement and together called the Conditional Sale Agreements), with General Motors Corporation (Electro-Motive Division), Thrall Car Manufacturing Company and The Darby Products of Steel Plate Corporation, respectively (hereinafter individually called a Manufacturer and together the Manufacturers), wherein the Manufacturers have agreed to manufacture, sell and deliver to the Lessor the railroad equipment described in Schedule A hereto:

Whereas, the Manufacturers have assigned or will assign their respective interests in the Conditional Sale Agreements to Bankers Trust Company, as Agent (hereinafter, together with its successors and assigns, referred to as the Vendor); and

WHEREAS, the Lessee desires to lease all the units of said equipment, or such lesser number as are delivered and accepted and settled for under the Conditional Sale Agreements on or prior to December 15, 1970 (hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided;

Now, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but, upon default of the Lessee hereunder or under a Conditional Sale Agreement, subject to all the rights and remedies of the Vendor under such Conditional Sale Agreement:

- § 1. Delivery and Acceptance of Units. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the appropriate Conditional Sale Agreement. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor and to the appropriate Manufacturer a certificate of acceptance and delivery (hereinafter called the Certificate of Delivery), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.
- § 2. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 30 consecutive semiannual payments, payable on the business day next preceding June 15 and December 15 in each year commencing with the business day next preceding December 15, 1970. The first such semiannual payment shall be in an amount equal to 0.023333% of the Purchase Price (as such term is defined in the Conditional Sale Agreement pursuant to which such Unit is being acquired by the Lessor) of each Unit subject to this Lease for each day elapsed from and including the date such Unit is settled for under the appro-

priate Conditional Sale Agreement to December 15, 1970; the next nine semiannual payments shall each be in an amount equal to 4.200000% of the Purchase Price of each such Unit; and the last 20 such semiannual payments shall each be in an amount equal to 6.700417% of the Purchase Price of each such Unit.

The Lessor irrevocably instructs the Lessee, (i) to make such of the payments provided for in this Lease (including but not limited to the payments required under § 6 hereof) as will satisfy the obligations of the Lessor to the Vendor under the Conditional Sale Agreements accrued at the time such payments are due hereunder, for the account of the Lessor, care of Bankers Trust Company, One Battery Park Plaza, New York, New York 10015, attention of Corporate Trust Division, and with power to Bankers Trust Company to apply such payments first to Conditional Sale Indebtedness and thereafter to other obligations to the Vendor under the Conditional Sale Agreements and (ii) to pay any balance of the payments provided for in this Lease after deduction of the amount payable pursuant to the foregoing clause (i) to the Lessor directly at its offices c/o Kuhn, Loeb & Co., 40 Wall Street, New York, New York 10005, attention of Henry C. Bevers, Esq. The provisions of this paragraph relating to payments to satisfy the obligations of the Lessor are made for the benefit of the Vendor under the Conditional Sale Agreements and certain persons who have beneficial interests in the Conditional Sale Agreements and shall not, until such time as such obligations are satisfied, be modified without the consent of the Vendor and any persons holding such beneficial interests.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason

of, any past, present or future claims of the Lessee against the Lessor under this Lease or the Manufacturers or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to, or loss of possession or loss of use of, or destruction of, all or any of the Units from whatsoever cause, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or lack of right, power or authority of the Lessor to enter into this lease, or by reason of any failure by the Lessor to perform any of its obligations herein contained, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

§ 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of §§ 6, 9 and 12 hereof, shall terminate on the date on which the final semiannual payment of rent in respect thereof is due hereunder.

Notwithstanding anything to the contrary contained herein, all rights and obligations under this Lease and in and to the Units, upon default by the Lessee hereunder, or under a Conditional Sale Agreement, are subject to the rights of the Vendor under the Conditional Sale Agreements. If an event of default should occur under a Condi-

tional Sale Agreement, the Vendor may terminate this Lease (or rescind its termination), all as provided therein, unless the Lessee is not in default under this Lease or under a Conditional Sale Agreement in its capacity as guarantor or otherwise. If a Declaration of Default (as defined in the Conditional Sale Agreements) should be made under a Conditional Sale Agreement due to an event of default not occasioned by an act or omission of the Lessee hereunder, and if such Declaration of Default shall not have been rescinded by the Vendor within 30 days of the making thereof, or if the Vendor theretofore has indicated either in writing to the Lessor or the Lessee or by the commencement of the remedies specified under Article 18 of such Conditional Sale Agreement that it will not rescind such Declaration of Default, the Lessee, without penalty, may terminate this Lease but such termination shall not affect or alter any obligation of the Lessee under the Conditional Sale Agreements in its capacity as Guarantor or otherwise.

§ 4. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Annex B to the appropriate Conditional Sale Agreement and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the following words:

"Bankers Trust Company, New York, New York, Agent-Owner"

or other appropriate words designated by the Lessor or the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor or the Vendor to such Unit and the rights of the Lessor under this Lease and of the Vendor under the Conditional Sale Agreements. The Lessee will not place any such Unit in operation or exercise

any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and the Lessor by the Lessee and filed, recorded or deposited in all public offices where the Conditional Sale Agreements and this Lease shall have been filed, recorded or deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered "Kansas City Southern," "KCS" or with the name of any affiliate of the Lessee or to bear other names, initials or insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

§ 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state or federal, Canadian (Dominion or Provincial) or Mexican taxes (other than any federal, Canadian [Dominion or Provincial] or Mexican income tax [to the extent that the Lessor receives credit therefor against its United States federal income tax liability] payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be

payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreements, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or under the Conditional Sale Agreements. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Manufacturer or the Vendor or otherwise pursuant to Article 10 of the Conditional Sale Agreements not covered by the foregoing paragraph of this § 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 10.

In the event any reports with respect to impositions are required to be made on the basis of individual Units, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Vendor in such Units or notify the Lessor and the Vendor of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this § 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

§ 6. Payment for Casualty Occurrences. In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease or any extended term thereof, the Lessee shall, within ten days after it shall have been determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (or in the event such rental payment date shall occur within five days after such notice, on the following rental payment date) the Lessee shall pay to the Lessor an amount equal to the accrued rental for such Unit to the date of such payment plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule set out below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to

accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and the Lessor shall be entitled to recover possession of such Unit.

The Casualty Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite the number of such rental payment date:

Payment No.	Percentage	Payment No.	Percentage
1	100 %	16	100 %
2	100	17	88.57
3	100	18	88.57
4	100	19	<i>77</i> .14
5	100	20	<i>77</i> .14
6	100	21	65.71
7	100	22	65.71
8	100	23	54.28
9	100	24	54.28
10	100	25	42.85
11	100	26	42.85
12	100	27	31.42
13	100	28	31.42
14	100	29	20
15	100	30 and thereafter	20

Except as hereinabove in this § 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

§ 7. Annual Reports. On or before April 15, in each year, commencing with the year 1971, the Lessee will cause to be furnished to the Lessor and the Vendor, in such number of counterparts as the Lessor or Vendor may request, an accurate statement, as of the preceding December 31, (a)

showing the amount, description and numbers of the Units then leased hereunder and covered by the Conditional Sale Agreements, the amount, description and numbers of all Units that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by § 4 hereof and Article 9 of the Conditional Sale Agreements shall have been preserved or replaced. The Lessor shall have the right at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto, at such times as shall reasonably be necessary to confirm to the Lessor the existence and proper maintenance of the Units during the continuance of this Lease.

§8. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; and Indemnification. The Lessor makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the material, equipment or workmanship in, the Units delivered to the Lessee hereunder, and the Lessor makes no warranty of merchantability or fitness of the Units for any particular purpose or as to title to the Units or any component thereof, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorneyin-fact during the term of this Lease to assert and enforce from time to time, in the name of and for account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have, as vendee, under the provisions of Articles 14 and 15 and Annex A of the Conditional Sale Agreements. The Lessee's acceptance of delivery of the Units shall be conclusive evidence as between the Lessee and the Lessor that all Units described in the Certificate of Delivery are in all the foregoing respects satisfactory to the Lessee and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects with all laws of the jurisdictions in which the Units may be operated, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units to the extent such laws and rules affect the operation or use of the Units. In the event that such laws or rules require the alteration of the Units or in case any equipment or appliance on any such Unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Unit in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and the Lessee agrees at its own expense to use, maintain and operate such Unit in full compliance with such laws, regulations, requirements and rules so long as it is subject to this Lease; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor hereunder or under the Conditional Sale Agreements.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair.

Any and all additions to any Unit and any and all parts installed on or replacements made to any Unit shall be considered accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free of any lien, charge, security interest or encumbrance (except for those created by the Conditional Sale Agreements) shall immediately be vested in the Lessor and the Vendor as their respective interests appear in the Unit itself.

The Lessee agrees to indemnify and save harmless the Lessor and the Vendor against any charge or claim made against the Lessor or the Vendor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent liabilities, penalties and interest) which the Lessor or the Vendor may incur in any manner by reason of entering into or the performance of the Conditional Sale Agreements or this Lease or by reason of the ownership of any Unit, or which may arise in any manner out of, or as the result of, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit under this Lease, except as otherwise provided in Articles 15 and 22 of the Conditional Sale Agreements and § 16 of this Lease. The Lessee further agrees to indemnify and save harmless the Lessor and the Vendor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury or death to any person. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

- § 9. *Default*. If, during the continuance of this Lease, one or more of the following events (hereinafter sometimes called Events of Default) shall occur:
  - A. default shall be made in the payment of any part of the rental provided in §§ 2 or 12 hereof and such default shall continue for five days;
  - B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;
  - C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any of the Conditional Sale Agreements and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;
  - D. any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Conditional Sale Agreements), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this

investment credit, depreciation or other tax benefits will have been claimed by any person with respect thereto, (iii) the Lessee is as of the date hereof and will be at all times during the term of this Lease "a domestic common carrier by railroad" within the meaning of section 184(d)(1)(A) of the Code, and (iv) during the term of this Lease, each Unit will, within the meaning of section 184(d)(1)(A) of the Code, solely be "used by a domestic common carrier by railroad on a full-time basis, or on a part-time basis if its only additional use is an incidental use by a Canadian or Mexican common carrier by railroad on a per diem basis."

If the Lessor shall lose, or shall not have or shall lose the right to claim, or there shall be disallowed with respect to the Lessor, or the Lessor shall be required to recapture, all or any portion of the Rapid Amortization Deduction with respect to any Unit as a result of any of the following events:

(a) Any representation, warranty, fact, estimate, opinion or other statement made or stated by the Lessee (or any officer, employee or agent thereof) contained herein, in the Conditional Sale Agreements, in the Assignments (as defined in the Conditional Sale Agreements), in the Finance Agreement (as defined in the Assignments), or otherwise made in writing in connection herewith or therewith, shall, in the opinion of Counsel, be fraudulent, untrue, incorrect, inaccurate or misleading in whole or in part; or the Lessee (or any officer, employee or agent thereof) shall, in the opinion of Counsel, fail to state any material fact in connection with the transactions contemplated hereby or thereby; or the Lessee shall take any action in respect of its income tax returns or otherwise which, in the opinion of Counsel, shall be inconsistent with, or in contravention of, any of the transactions contemplated hereby or thereby; or the Lessee (or any officer, employee or agent thereof), in the opinion of Counsel, shall take any other action whatsoever which shall cause the loss or disallowance or recapture of any portion of the full Rapid Amortization Deduction; or

- (b) The failure of the Lessee to perform or observe any covenant, condition or agreement to be performed or observed by it under this Lease or the Conditional Sale Agreements, the Assignments or the Finance Agreement; or
- (c) Any use of such Unit which prevents such Unit from being "qualified railroad rolling stock" within the meaning of section 184(d) of the Code, or any regulations promulgated thereunder;

the rental rate applicable to such Unit set forth in § 2 of this Lease shall, on and after the next succeeding rental payment date after written notice to the Lessee by the Lessor that such Rapid Amortization Deduction has not been claimed, or if claimed and then disallowed or recaptured on and after the next succeeding rental date after payment of the tax attributable thereto, be increased by such amount for such Unit which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States of America or any political subdivision thereof (calculated at the Assumed Rates as defined in § 9 hereof), in the reasonable opinion of the Lessor, will cause the Lessor's net return over the original term of the Lease (taxes being calculated at the Assumed Rates) in respect of such Unit under this Lease to equal the net return (taxes being calculated at the Assumed Rates) that would have been available if the Lessor had been entitled to utilization of all or such portion of the Rapid Amortization Deduction which was not claimed

or was disallowed or was recaptured and the Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States against the Lessor attributable to the loss or recapture of all or any portion of the Rapid Amortization Deduction. The Lessor agrees that if, in the opinion of Messrs. Cravath, Swaine & Moore or other independent counsel selected by the Lessor and acceptable to the Lessee (herein referred to as Counsel), a bona fide claim to all or a portion of the Rapid Amortization Deduction on any Unit exists in respect of which the Lessee is required to pay increased rental and interest as aforesaid to the Lessor as above provided, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to sustain such claim. The Lessor may take such action prior to making payment of the amounts claimed pursuant to a notice of disallowance or may make such payment and then sue for a refund. In the latter event, if the final determination shall be adverse to the Lessor, the Lessee shall pay to Lessor interest on the amount of the tax paid attributable to the Rapid Amortization Deduction disallowed, computed at the rate of  $10\frac{1}{4}\%$  per annum from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for such tax in accordance with the provisions of this § 15. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested.

The Lessee's agreement to pay any sums which may become payable pursuant to this § 15 shall survive the expiration or other termination of this Lease.

On or before the first Closing Date occurring under each Conditional Sale Agreement, the Lessor, as a condition to its obligation to lease the Units to the Lessee hereunder, shall have received counterparts of the written opinion of Messrs. Cravath, Swaine & Moore addressed to the Lessor to the effect that for federal income tax purposes and upon such review and on the basis of such understandings as such counsel deem necessary:

- A. the Lessor will be considered the owner of the Units; and
- B. the Lessor will be entitled to either (i) depreciation deductions with respect to the Units, computed in accordance with any of the methods listed in Section 167(b) of the Internal Revenue Code of 1954, as amended to the date hereof, or (ii) amortization of the Units (provided that such Units retain their status as "qualified railroad rolling stock" within the meaning of the Internal Revenue Code of 1954, as amended to the date hereof), as provided for in said Section 184, whichever the Lessor elects.
- § 16. Recording; Expenses. The Lessee will cause this Lease, the Conditional Sale Agreements and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, recording and deposit and refiling, rerecording and redeposit required of the Lessor under Article 21 of the Conditional Sale Agreements and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of

the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Conditional Sale Agreements or the first assignment thereof by the Manufacturers; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, recording or deposit, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Conditional Sale Agreements shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

The Lessor will pay the reasonable costs and expenses involved in the preparation and printing of this Lease. The Lessor and the Lessee will each bear the respective fees and disbursements, if any, of their respective counsel.

- § 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to  $10\frac{1}{4}\%$  per annum of the overdue rentals for the period of time during which they are overdue.
- § 18. *Notices*. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

if to the Lessor, c/o Kuhn, Loeb & Co., 40 Wall Street, New York, New York 10005, attention of Henry Bevers, Esq.;

if to the Lessee, at 114 West Eleventh Street, Kansas City, Missouri 64105, attention of the Executive Vice President;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. § 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

- § 20. Execution. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Although this Lease is dated as of May 1, 1970, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.
- § 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

In Witness Whereof, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by

duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

VINEYARD CAR CORPORATION,

by Mully President

[CORPORATE SEAL]

Ellward & Mon

Attest:

THE KANSAS CITY SOUTHERN RAILWAY COMPANY,

[CORPORATE SEAL]

Attest .

Assistant Secretary

STATE OF NEW YORK COUNTY OF NEW YORK

SS.:

On this of May, 1970, before me personally beared, to me personally appeared , to me personally known, who, being by me duly sworn, says that he is the President of VINEYARD CAR CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

BERNARD PERIN NOTARY PUBLIC, State of New York No. 41-8325475

Qualified in Queens County

COUNTY OF JACKSON STATE OF MISSOURI SS.:

Qualified in Queens County
Certificate filed in New York County
Commission Expires Merch 30, 1972

On this 27th day of May, 1970, before me personally appeared 20 Trick, to me personally , to me personally known, who, being by me duly sworn, says that he is an Executive Vice President of The Kansas City Southern RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation. Geralden J. Dockens

Notary Public

[NOTARIAL STAMP]

My commission expires June 23, 1972

and (b) to purchase all, but not fewer than all, of such Units then covered by this Lease at the end of the original or any extended term of this Lease for a purchase price equal to the "Fair Market Value" of such Units as of the end of such term.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or before four months prior to the expiration of the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

§ 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will

(unless the Unit is sold to the Lessee), at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor; the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. If Lessor shall elect to abandon any Unit which has suffered a Casualty Occurrence or which after the expiration of this Lease the Lessor shall have deemed to have suffered a Casualty Occurrence, it may deliver written notice to such effect to the Lessee and the Lessee shall thereupon assume and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice. The Lessor shall execute and deliver to the Lessee a bill of sale or bills of sale transferring to the Lessee, or upon its order, the Lessor's title to and property in any Unit abandoned by it pursuant to the immediately preceding sentence. The Lessee shall have no liability to the Lessor in respect of any Unit abandoned by the Lessor after termination of the Lease; provided, however, that the foregoing clause shall not in any way relieve the Lessee of its obligations pursuant to § 6 hereof to make payments equal to the Casualty Value of any Unit experiencing a Casualty Occurrence during the original or any extended term of this Lease.

- § 14. Opinion of Counsel. On each Closing Date (as defined in the Conditional Sale Agreements), the Lessee will deliver to the Lessor two counterparts of the written opinion of counsel for the Lessee, addressed to the Lessor and the Vendor, in scope and substance satisfactory to the Lessor, the Vendor and their respective counsel, to the effect that:
  - A. the Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of the State of Missouri, with adequate corporate power to enter into the Conditional Sale Agreements and this Lease;
  - B. the Conditional Sale Agreements and this Lease have been duly authorized, executed and delivered by the Lessee and constitute valid, legal and binding agreements of the Lessee, enforceable in accordance with its terms;
  - C. the Conditional Sale Agreements and the first assignment thereof by the Manufacturer and this Lease have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and such filing and recorda-

tion will protect the Vendor's and the Lessor's interests in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state or local government is necessary in order to protect the interests of the Vendor or the Lessor in and to the Units;

- D. no approval is required from any public regulatory body with respect to the entering into or performance of the Conditional Sale Agreements or this Lease;
- E. the entering into and performance of the Conditional Sale Agreements or this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound; and
- F. no mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of the Lessee, now attaches or hereafter will attach to the Units or in any manner affects or will affect adversely the Vendor's or Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Units.
- § 15. Federal Income Taxes. The Lessor, as the owner of the Units, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), to an owner of property, including (without limitation) an allowance for the Rapid Amortization Deduction (as defined in § 9 of this Lease), with respect to the Units; provided, however, that the Lessor hereby elects to treat the Lessee as having acquired the Units for pur-

poses of the investment credit provided by Section 38 of the Code and, in connection therewith, the Lessor shall, upon Lessee's request and at Lessee's expense, execute such instruments, and shall take such other action, of the character described in Section 1.48-4 of the Income Tax Regulations, as amended, or corresponding provisions of any successor regulations, as shall be reasonably necessary in Lessee's judgment to insure entitlement of Lessee to any credit allowable under said Section 38 with respect to the Units.

Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that each of such corporations will file such returns, take such action and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. Lessee agrees to keep and make available for inspection and copying by Lessor such records as will enable Lessor to determine whether it is entitled to the full benefit of the Rapid Amortization Deduction with respect to the Units.

The Lessee represents, agrees and warrants that (i) at the time the Lessor becomes the owner of the Units for purposes of section 184 of the Code and at all times thereafter during the term of this Lease, the Units will be "rolling stock of the type used by a common carrier engaged in the furnishing or sale of transportation by railroad and subject to the jurisdiction of the Interstate Commerce Commission" within the meaning of section 184(d) of the Code, (ii) at the time the Lessor becomes the owner of the Units for purposes of section 184 of the Code the Units will not have been used by any person so as to preclude "the original use of such rolling stock" within the meaning of section 184 of the Code from commencing with the Lessor and no

investment credit, depreciation or other tax benefits will have been claimed by any person with respect thereto, (iii) the Lessee is as of the date hereof and will be at all times during the term of this Lease "a domestic common carrier by railroad" within the meaning of section 184(d)(1)(A) of the Code, and (iv) during the term of this Lease, each Unit will, within the meaning of section 184(d)(1)(A) of the Code, solely be "used by a domestic common carrier by railroad on a full-time basis, or on a part-time basis if its only additional use is an incidental use by a Canadian or Mexican common carrier by railroad on a per diem basis."

If the Lessor shall lose, or shall not have or shall lose the right to claim, or there shall be disallowed with respect to the Lessor, or the Lessor shall be required to recapture, all or any portion of the Rapid Amortization Deduction with respect to any Unit as a result of any of the following events:

(a) Any representation, warranty, fact, estimate, opinion or other statement made or stated by the Lessee (or any officer, employee or agent thereof) contained herein, in the Conditional Sale Agreements, in the Assignments (as defined in the Conditional Sale Agreements), in the Finance Agreement (as defined in the Assignments), or otherwise made in writing in connection herewith or therewith, shall, in the opinion of Counsel, be fraudulent, untrue, incorrect, inaccurate or misleading in whole or in part; or the Lessee (or any officer, employee or agent thereof) shall, in the opinion of Counsel, fail to state any material fact in connection with the transactions contemplated hereby or thereby; or the Lessee shall take any action in respect of its income tax returns or otherwise which, in the opinion of Counsel, shall be inconsistent with, or in contravention of, any of the transactions contemplated hereby or thereby; or the Lessee (or any officer, employee or agent thereof), in the opinion of Counsel, shall take any other action whatsoever which shall cause the loss or disallowance or recapture of any portion of the full Rapid Amortization Deduction; or

- (b) The failure of the Lessee to perform or observe any covenant, condition or agreement to be performed or observed by it under this Lease or the Conditional Sale Agreements, the Assignments or the Finance Agreement; or
- (c) Any use of such Unit which prevents such Unit from being "qualified railroad rolling stock" within the meaning of section 184(d) of the Code, or any regulations promulgated thereunder;

the rental rate applicable to such Unit set forth in § 2 of this Lease shall, on and after the next succeeding rental payment date after written notice to the Lessee by the Lessor that such Rapid Amortization Deduction has not been claimed, or if claimed and then disallowed or recaptured on and after the next succeeding rental date after payment of the tax attributable thereto, be increased by such amount for such Unit which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States of America or any political subdivision thereof (calculated at the Assumed Rates as defined in § 9 hereof), in the reasonable opinion of the Lessor, will cause the Lessor's net return over the original term of the Lease (taxes being calculated at the Assumed Rates) in respect of such Unit under this Lease to equal the net return (taxes being calculated at the Assumed Rates) that would have been available if the Lessor had been entitled to utilization of all or such portion of the Rapid Amortization Deduction which was not claimed

or was disallowed or was recaptured and the Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States against the Lessor attributable to the loss or recapture of all or any portion of the Rapid Amortization Deduction. The Lessor agrees that if, in the opinion of Messrs. Cravath, Swaine & Moore or other independent counsel selected by the Lessor and acceptable to the Lessee (herein referred to as Counsel), a bona fide claim to all or a portion of the Rapid Amortization Deduction on any Unit exists in respect of which the Lessee is required to pay increased rental and interest as aforesaid to the Lessor as above provided, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to sustain such claim. The Lessor may take such action prior to making payment of the amounts claimed pursuant to a notice of disallowance or may make such payment and then sue for a refund. In the latter event, if the final determination shall be adverse to the Lessor, the Lessee shall pay to Lessor interest on the amount of the tax paid attributable to the Rapid Amortization Deduction disallowed, computed at the rate of  $10\frac{1}{4}\%$  per annum from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for such tax in accordance with the provisions of this § 15. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested.

The Lessee's agreement to pay any sums which may become payable pursuant to this § 15 shall survive the expiration or other termination of this Lease.

On or before the first Closing Date occurring under each Conditional Sale Agreement, the Lessor, as a condition to its obligation to lease the Units to the Lessee hereunder, shall have received counterparts of the written opinion of Messrs. Cravath, Swaine & Moore addressed to the Lessor to the effect that for federal income tax purposes and upon such review and on the basis of such understandings as such counsel deem necessary:

- A. the Lessor will be considered the owner of the Units; and
- B. the Lessor will be entitled to either (i) depreciation deductions with respect to the Units, computed in accordance with any of the methods listed in Section 167(b) of the Internal Revenue Code of 1954, as amended to the date hereof, or (ii) amortization of the Units (provided that such Units retain their status as "qualified railroad rolling stock" within the meaning of the Internal Revenue Code of 1954, as amended to the date hereof), as provided for in said Section 184, whichever the Lessor elects.
- § 16. Recording; Expenses. The Lessee will cause this Lease, the Conditional Sale Agreements and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, recording and deposit and refiling, rerecording and redeposit required of the Lessor under Article 21 of the Conditional Sale Agreements and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of

the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Conditional Sale Agreements or the first assignment thereof by the Manufacturers; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, recording or deposit, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Conditional Sale Agreements shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

The Lessor will pay the reasonable costs and expenses involved in the preparation and printing of this Lease. The Lessor and the Lessee will each bear the respective fees and disbursements, if any, of their respective counsel.

- § 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to  $10\frac{1}{4}\%$  per annum of the overdue rentals for the period of time during which they are overdue.
- § 18. *Notices*. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

if to the Lessor, c/o Kuhn, Loeb & Co., 40 Wall Street, New York, New York 10005, attention of Henry Bevers, Esq.;

if to the Lessee, at 114 West Eleventh Street, Kansas City, Missouri 64105, attention of the Executive Vice President;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. § 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

- § 20. Execution. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Although this Lease is dated as of May 1, 1970, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.
- § 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

In Witness Whereof, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by

duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

VINEYARD CAR CORPORATION,

by Mully President

[CORPORATE SEAL]

Ellward & Mon

Attest:

THE KANSAS CITY SOUTHERN RAILWAY COMPANY,

[CORPORATE SEAL]

Attest .

Assistant Secretary

STATE OF NEW YORK COUNTY OF NEW YORK

SS.:

On this of May, 1970, before me personally beared, to me personally appeared , to me personally known, who, being by me duly sworn, says that he is the President of VINEYARD CAR CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

BERNARD PERIN NOTARY PUBLIC, State of New York No. 41-8325475

Qualified in Queens County

COUNTY OF JACKSON STATE OF MISSOURI SS.:

Qualified in Queens County
Certificate filed in New York County
Commission Expires Merch 30, 1972

On this 27th day of May, 1970, before me personally appeared 20 Trick, to me personally , to me personally known, who, being by me duly sworn, says that he is an Executive Vice President of The Kansas City Southern RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation. Geralden J. Dockens

Notary Public

[NOTARIAL STAMP]

My commission expires June 23, 1972

Time and Place of Delivery	Prior to June 30, 1970 at Bloomburg, Texas	Prior to June 30, 1970 at Bloomburg, Texas	Prior to June 30, 1970 at Bloomburg, Texas	Prior to June 30, 1970 at Kansas City, Kansas	Prior to August 31, 1970 at Bloomburg, Texas
Total Base Price	\$ 299,500	\$ 298,500	\$1,077,000	\$ 71,534	\$2,187,625.50
Unit Base Price	\$299,500	\$298,500	\$269,250	\$ 35,767	\$ 29,168.34
Lessee's Road Numbers	979	627	622-625 (inclusive)	343 and 344	KCS 404004, KCS 404012, KCS 404021, KCS 4040039, KCS 404047, KCS 4040655, KCS 404063, KCS 404011, KCS 4040655, KCS 404098, KCS 404101, KCS 404110, KCS 4041128, KCS 4041128, KCS 4041128, KCS 4041116, KCS 4041179, KCS 4041179, KCS 404117, KCS 404217, KCS 404318, KCS 404431, KCS 404451, KCS 404451, KCS 404451, KCS 404451, KCS 404651, KCS 404651, KCS 404651, KCS 404671, KCS 404713, KCS 404711, KCS 40471
Quantity	1.	100	4 & m	2 Darby	# # # # # # # # # # # # # # # # # # #
بلگيل	3000 H.P. Model SD-40 Diesel	3000 H.P. Model SD-40 Diesel	3000 H.P. Model SD-40 Diesel	Stainless Steel Cabooses	150-Ton, Unit Train Gondolas